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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister

CDP 2013

28th March 1985

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

Dear Andrew,

LAKER: ATTEMPTED SETTLEMENT

In view of the Prime Minister's absence over Easter, Mr Ridley thought that we should report now on the current state of play in the settlement negotiations.

As you will know from Washington teleno 848 of 8 March, Exim agreed to compromise their \$65 million claim at \$20 million. Of this, £8m would be in cash; the other £12m is the estimated present value of an increase in BA's interest payments on outstanding loans. (Given the lack of merit in the charge that the airlines conspired to bring down Laker, and in the Exim claim for interest, this was in Mr Ridley's view hardly generous, nor was there evidence that Administration intervention was conducted with such conviction as to have moved the Exim Chairman).

But as we anticipated, it is proving difficult to contain the repercussions of the deal extracted by Eximbank. The BA negotiators have had some success with most of the major creditors, but not with Airbus, who are taking the position that they want the same amount as Eximbank (\$20 million). A critical meeting between the negotiators and the Chairman of Airbus is to take place at the end of this week (March 29). Mr Tebbit's officials will be emphasising to Airbus at a meeting on Thursday (March 28) the importance of a settlement for the aerospace industry as a whole and for Airbus in particular. There seems little doubt that if Airbus continued to hold out for parity of treatment with Eximbank the settlement would fall apart: the other major creditors would hardly accept exceptional treatment for both Eximbank and Airbus, and if all were treated alike the total cost of a settlement would rise enormously.

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Other potential problems cannot yet be finally resolved (in particular Sir Freddie Laker and his lawyers) but the feeling is that the prospects for a settlement remain good if Airbus can be persuaded to settle for the \$¼ million which they had accepted at an earlier stage.

As regards the timescale, the stay on discovery enforcement agreed by the US court expires on April 8. The liquidator has again indicated that he will oppose any further stay. If a settlement is not reached and he does not back off therefore, we could find ourselves in a conflict between the US Court and our PTI Act Order. On the other hand if a settlement is reached in the Laker liquidator's case, the prospects for going on to settle the class actions look reasonably encouraging; tentative approaches to the plaintiffs have shown that they are willing to dispose of these cases by settlement.

I am copying this letter to Peter Ricketts (FCO), Rachel Lomax (Treasury), Callum McCarthy (Department of Trade and Industry), Helen Goodman (Financial Secretary's office), Henry Steel (Law Officer's Department) and Richard Hatfield (Cabinet Office).

Yours,

Richard.

R A ALLAN
Private Secretary